

BUSINESS ENVIRONMENT AND INVESTMENT ATTRACTIVENESS IN SOUTH CAUCASUS: MODERN SITUATION AND DEVELOPMENT TENDENCY

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DOI: 10.24193/subeuropaea.2017.4.02

Published Online: 2017-12-29

Published Print: 2017-12-29

Abstract

The article focuses on studying investment environment in the South Caucasus region from an economic point of view. It has spotlighted the research and substantiating of economic potential of the countries of the South Caucasus, investment climate, competitive advantages and so on. At the same time, the article substantiated trends and priorities of the infrastructure, investment attractiveness and favorable business climate in the South Caucasus region.

Keywords: South Caucasus region, investment environment, Azerbaijan, investment attractiveness, road map

1. Introduction

In modern conditions, the South Caucasus region acts as an independent economic factor of the world economy and the subject of an international competition. Economic behavior and position of the region's, and its role in the world economy is conditioned by the potential possesses, and its competitive advantage is provided depending on its effective utilization. Regarding this, the investment attractiveness of the region is one of the priority tasks for investors.

One of the conditions for sustainable development of the country is the intensification of investment activity aimed at attracting financial and material resources of local and foreign investors as well as their efficient

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use in the most priority sectors of the economy. Investment is one of the most important aspects of any country that is dynamically developing.¹

World experience shows that attracting foreign investment has a positive impact on the country's economy. Proper use of foreign investment allows for product competitiveness in the world market, production development, increase in the labor productivity, transmission of advanced technology, creation of new jobs enable the growth of the remaining regions and sectors of the economy. The availability of investors for capital investment in the country's economy and its separate sectors depends on existing business and investment climate. Creating a favorable business and investment environment is a prerequisite for intensifying the flow of foreign investment into the country's economy.

There are three main approaches to the determination of the country's or region's investment atmosphere: One of them is an assessment of macroeconomic indicators (GDP dynamics, inflation rate, state budget structure and its distribution, tax burden, etc.). This method is convenient for the fact that it is possible to obtain statistical reports from those that are necessary to calculate the indicators. Its lack is its being rather non-representative. It is related to some factors that have an impact on investment attraction and which are not taken into account. Secondly, it is a multi-dimensional approach that uses the broad range of factors - political, natural, social, legal or financial conditions of the country or region. This method is representative. However, its use complicates the number of those required to calculate the indicators and makes it difficult to determine relevant coefficients. Finally, the third one is the assessment of the risk of investment. A broad range of indicators for risk of loss are used in this approach. Such risks include economic, financial, political, environmental, legal, social, etc.

Investment attractiveness of the region is to coordinate the investment potential and investment risk. In general, investment atmosphere and investment attractiveness are often identified in the economic references. Investing activity is viewed as the actual realization of current potential, taking into account the investment risk.

¹ V.V. Litvinova, *Investment Attractiveness and Investment Environment in Regions: Monograph M*, Baku: University of Finance, 2013, p. 116.

Investment potential is an objective basis for intensifying investment activity. The investor is guided by certain characteristics when selecting the region to invest its own funds. Investment potential and investment risk determine the country's investment attractiveness. The investment potential is the quantitative characteristics of the country's investment attractiveness, which reflects a set of objective conditions for the implementation of investment that can be measured with quantitative indicators. Investment risk is the qualitative characteristics of investment attractiveness that reflect the expediency of capital investment in that area (region), its revenues or the likelihood of an investment loss.

Concepts related to the investment attractiveness can also be attributed to investment activity. Investment activity can be identified as potential to increase investment attractiveness. This concept includes portfolios and direct investment divisions, the ability to activate new production capabilities, and the indicators to centralize the capital.

The main condition for attracting and placing investment resources is the availability of money, labor, production, innovation and other capital. Investment risk is one of the manifestations of uncertainty in the investment sphere of the economy. So, investment activity in a broader sense is the actual result of the complex and dynamic interconnection of investment opportunities on the one hand and the likelihood of achieving the final outcome of investment activity on the other hand the risk level of entrepreneurial activity and profitability of investment projects are the key criteria for the attractiveness of national economy for foreign investors. Here, certain factors - political stability, macroeconomic policy and perspective economic growth, development of legal regulation of foreign investors' activity in the country, competitiveness of economic entities, production costs and the quality of labor force, domestic market capacity etc. are taken into account.

The business environment and investment attractiveness in the country are influenced by global - economic (world economic development situation, international market factors, including investment, stability of the world's currency system, transnationalization and regional integration level, development of international investment infrastructure), political - economic (political stability, the degree of state interference in the economy, attitude to foreign investment, compliance with bilateral and

multilateral agreements), resource-economic (availability of natural resources, demographic situation, geographical situation) and overall economic (economic growth rate, consumption and savings ratio, net profit ratio, inflation dynamics and rate balance of payment) factors.²

There are several approaches to assessing investment attractiveness. The most common one is the development of a list of factors that affect the rise or decline of investment attractiveness and the calculation of the indexes - derivative indicator for each region, area or potential investment subject based on them. Various ratings are organized on this basis. Some authoritative credit ratings from various countries (The ratings of Standard and Poor's (S&P), Moody's, Fitch - IBCA, Dun & Bradstreet, British newspaper "Financial Times" and British magazine "Euromoney") are organized from macroeconomical point of view.³

2. Preliminaries

So, 25 years have passed since the independence of the South Caucasian countries. It is enough time of period for the formation of a new model of the economy, determination of long-term development goals, and development of a model of interaction with investors, including foreign investors. Unfortunately, with a few exceptions, it can be admitted that the region's countries have not achieved a significant success in the creation of a realistic system of protection of private property and investors' rights, competitive, diversified and open economy. In addition, it is impossible to rely on quality development and improvement of socio-economic situation without the attraction of foreign investment in modern conditions and the use of advanced experience and technology. The growing interest of investors in the South Caucasus region enables a systematic development of transport infrastructure within the framework of regional integration projects as well as a number of huge projects such as "Great Silk Road", "Southern Energy Corridor", TRACECA, TAP, TANAP etc. The final selection of countries for investment is determined by a set of crucial factors.

² T.I. Levtsova, "Approbation", *Factors of Formation of Business Environment /Current Problems of Modern Science in the 21st century. Collection of International Scientific-Practical Conference*, Machackala: 2015, pp. 98-99.

³See Станислав Притчин, „Вся президентская рать“, *Expert Center For Eurasian Development*, <http://www.e-ced.ru/insights/>

In the last 15 years, the investment relations of the South Caucasus countries have been actively developed. Foreign investment acts as the most important source of funding for the region's economy. A favorable investment environment has been formed in these countries to stimulate direct and portfolio investment flow. However, at the same time, this region can not be unequivocally considered safe in terms of the protection of property rights and business which are more profitable, and prospective. Therefore, it is crucial to evaluate the investment attractiveness of these countries in terms of the stability of political institutions, the economic potential, and the openness and sincerity of domestic and foreign investors.

First of all, we should pay attention to the results of international investment and credit rating assessments in order to have a general idea on the investment attractiveness in the South Caucasus countries. For this, let's look at the international assessment of each country's credit rating, ease of business, and corrupt practices.

The rating of Azerbaijan for the last time has been revised in 2016 on the above-mentioned parameters. Thus, in February 2016, Moody's lowered its rating from Ba3 to Ba1 c level according to the characteristics of assets. This means having a credit risk, such as negative dynamics. Fitch has lowered the level of credit stability of the country's economy from BBB- to BB+ c with a negative prediction. Standard & Poor's has a stable forecast for Azerbaijan's rating for 2016. By the end of the year, it even exceeded negative forecast BB + c rating.⁴

Ease and convenience of doing business in the countries is assessed through the Doing Business global survey and their rating is compiled. The results of the ratings are valuable information for the subjects interested in business in every country of the world. A number of factors such as the frequency of registration of enterprises, obtaining construction permits, implementation of international trade, taxation of business, getting credit, registration of property rights, protection of investors etc. are taken into account in the assessment.

The results of the Doing Business survey, which describes the conditions of entrepreneurial activity, implemented by the World Bank every year, allow to evaluate the current state of business climate in the

⁴ *Ibidem.*

Caucasus. So, in 2016 Azerbaijan ranks in the 65th place. Compared to 2013, the country has improved its rating in 2016. Azerbaijan ranks in the 67th in 2013. In 2015, the country ranked in the 63rd among the countries taking part in the country's rating (Table 1).

Table 1

The place of Azerbaijan in the international rating on World Bank's Doing Business survey ^{7,8}

Important criteria for the rating	DB-2015	DB-2016	Change in the rating, +; -
General	63	65	-
1. Registration of new enterprises	7	5	+
2. Obtaining construction permits	114	127	-
3. Connecting to power supply	110	105	+
4. Registration of property right	22	22	Unchanged
5. Getting a loan	109	118	-
6. Investor protection	36	32	+
7. Business taxation	34	40	-
8. Implementation of international trade	40	83	-
9. Execution of contracts	94	44	+
10. Settlement of solvency problem (insolvency)	84	86	-

Progress has been observed in Azerbaijan's position on the registration of new enterprises, connecting to power supply, protection of investors and implementation of contracts from indicators included in the assessment in order to characterize the feasibility of doing business. There has been no change in the registration of property rights, while the other indicators have been diminished.

According to Corruption Perceptions Rating, Azerbaijan (Transparency International) scored 29 points in 2016 and was ranked in the 119th place.⁵

Moody's lowered Armenia's rating to the level of Ba3c with a negative forecast in January 2015. At the same time, Fitch lowered credit stability value.⁶

In 2016, Armenia was ranked in the 35th place in the Doing Business rating. In 2013 this country was ranked in the 32nd place in the rating (Table 2). Armenia has significantly improved in four of 10 control indicators used in the assessment, while it declined on the remaining six indicators. Compared to the report's information for 2015, in 2016 Armenia was ranked in the 53th place from the 49th place in terms of investor protection indicators, from 41st to 88th place for business taxation, and from the 28th level to 48th level for international trade ranks.

Table 2

The place of Armenia in the international rating on World Bank's Doing Business survey^{7,8}

Important criteria for the rating	DB -2015	DB -2016	Change in the rating, +; -
General	35	38	-
11. Registration of new enterprises	5	9	-
12. Obtaining construction permits	62	81	-
13. Connecting to power supply	99	76	+
14. Registration of property right	14	13	+

⁵ See Transparency International, *Corruption Perceptions Index 2016*, https://www.transparency.org/news/feature/corruption_perceptions_index_2016

⁶ Станислав Пригчин, *loc. cit.*

15. Getting a loan	42	20	+
16. Investor protection	17. 49	18. 53	19. -
20. Business taxation	21. 41	22. 88	23. -
24. Implementation of international trade	25. 28	26. 48	27. -
28. Execution of contracts	29. 29	30. 28	31. +
32. 10. Settlement of solvency problem (insolvency)	33. 71	34. 78	35. -

According to Corruption Perceptions Rating, Armenia (Transparency International) was ranked in the 95th place among 176 countries .⁷

In March 2016, Moody's affirmed the stable Ba3 forecast of Georgia. Fitch has not changed the country's rating since December 2011 and repeatedly confirmed BB-. The rating of Georgia at Standard & Poor's has not changed since November 2011.⁸

According to the 2015 Doing Business survey, Georgia ranks in the 24th place in the rating. In 2011 the country was ranked in the 12th place in the rating (Table 3). In 2016, Georgia ranked in the 16th place in the rating by eight places ahead. Generally, as can be seen from the information given in Table 3, Georgia's position is much better in the international rating of the World Bank's International Finance Corporation and its business doing. Thus, on five of the aforementioned indicators, progress was observed: obtaining construction permits, connecting to power supply, protection of investors, business taxation and execution of contracts, and decline was observed on three of them – registration of new enterprises,

⁷ Transparency International, *loc. cit.*

⁸ Available at *Expert Center for Eurasian Development* <http://www.e-ced.ru/insights/>

implementation of international trade and settlement of solvency problem (insolvency), and there was not any change on two of them – registration of property rights and getting loans.

Georgia is ranked in the 48th in Corruption Perceptions Index (Transparency International) in 2016.⁹

Macroeconomic indicators of the South Caucasus countries are important for investors to understand the overall socio-economic situation, assess the market's capacity as well as the prospects for business development as a whole and in some areas.

Table 3

The place of Georgia in the international rating on World Bank's Doing Business survey ^{7,8}

Important criteria for the rating	DB-2015	DB-2016	Change in the rating, +; -
General	24	16	+
36. Registration of new enterprises	6	8	-
37. Obtaining construction permits	11	8	+
38. Connecting to power supply	62	39	+
39. Registration of property right	3	3	Unchanged
40. Getting a loan	7	7	Unchanged
41. Investor protection	20	7	+
42. Business taxation	40	22	+
43. Implementation of international trade	13	54	-
44. Execution of contracts	78	16	+
10. Settlement of solvency problem (insolvency)	101	106	-

⁹ Transparency International, *loc. cit.*

Azerbaijan is a state with a population of 9.6mln. The number of people involved in the national economy is 4.67 million people. Compared to 2015, Azerbaijan's GDP declined by 3.7% in 2016. The special weight of public debt in GDP was 16% (in 2015 this indicator was 13.75%). In 2016, high inflation was observed, i.e. 12.4%. The official rate of unemployment remained relatively low, i.e. 5%. In 2016, the total volume of domestic goods per capita was 6.1 thousand dollars. Despite the decline in world oil prices, this year the trade balance's deficit was positive.¹⁰

The population of Armenia is 2.99 million people, the number of people engaged in the economy is 994 thousand and it faced serious economic problems in 2016. Over the year, the country's GDP declined by 2.6%. Last year the unemployment rate in Armenia was 18.1%, which is higher than in other countries. The volume of state debt of the country was at the highest level among the CIS countries and GDP amounted to 42.23%. In the previous year, this indicator was low, i.e. 37.5%. In Armenia, deflation was observed in 2016, and the overall price decline was 1.1% at the end of the year. GDP per capita in Armenia was 3.8 thousand dollars. According to the results of the previous year, Armenia's trade balance's deficit was negative. Increase in the volume of exports by 50 % from Armenia to Russia in 2016 also draws attention.¹¹

Georgia is a state with the population of 3,72 million people. The number of people engaged in the country's economy is 601 thousand. This indicator is explained by the high level of labor migration of citizens. According to the results of the previous year, GDP of the country increased by 2.3%. In 2016 the inflation rate was moderate and amounted to 3.9%.

However, according to the results of the previous year, the unemployment rate in Georgia was quite high, i.e. 12%.

Georgia differs for the high level of public debt and it increased significantly according to the previous year's results. In 2016, it accounted for 43% of GDP. In the previous year, this indicator was 37.5%. The GDP per capita in this country was 4,000 USD. Georgia's trade balance deficit with a similar structure of neighboring Armenia was negative in the last year.¹²

¹⁰ Statistical indicators of Azerbaijan, *Statistical Bulletin*, ARSSC: Baku, 2016, p. 824.

¹¹ Available at *Expert Center for Eurasian Development* <http://www.e-ced.ru/insights/>

¹² *Ibidem*.

Distance from the world market and the development of transport infrastructure are important indicators for investment attractiveness of any country. This factor is very important for South Caucasus countries. So, only Georgia has access to the world ocean. The export of other countries and the nature of its structure depend on a transit country and the development of the transboundary and pipeline routes and the transport system.

Azerbaijan has a rather developed transport system and the launch of two projects, Azerbaijan- Iran and Baku-Tbilisi-Kars railway will provide maximum diversification in the medium term. The Republic has an advanced road network that provides connections for Russia, Iran and Georgia.

The port business of the Caspian Sea has also been involved in the development process. Already, the infrastructure allows the transit for Central Asian countries. In addition, the republic has an advanced, diversified pipeline system: Baku- Tbilisi Ceyhan, Baku - Supsa and Baku – Novorosiysk, gas pipelines: Baku -Tbilisi - Erzurum, “Northern – Southern”.

Armenia where the transportation condition is highly mingled, has been essentially isolated. This country has no economic and transportational relations with both Azerbaijan and Turkey due to NagornoKarabakh conflict. Tensions between Russia - its main partner and Georgia, which provoke complex relationships with this country, complicate the use of the existing transport infrastructure. Only 40-km borderline with Iran allows providing transport availability. However geographical condition and mountainous places restrict the capacity of cargo operations in this direction.

Georgia with its advantageous geographical location possesses the status of important transit country for both Azerbaijan and Central Asian countries in West, and Armenia in North. Numerous major pipelines (Baku-Tbilisi-Ceyhan, Baku-Supsa oil pipelines, Baku-Tbilisi-Erzurum, Russia-Armenia gas pipelines) pass through the territory of the republic. A number of ports operate on the Black Sea shores in the republic. The completion of Baku-Tbilisi-Kars railway construction will get a direct access to European Union railway network.

Furthermore, political problems with Abkhazia and South Ossetia have made a part of infrastructure useless, which requires major investment to restore working capability.

In the context of the economic crisis caused by falling price of energy resources, Azerbaijani government took comprehensive measures for the purpose of improving the investment environment, de-monopolization of the economy, mitigating the settlement. In the first stage the customs procedure has been simplified, import restrictions, covert and unofficial customs charges have been officially prohibited. The abovementioned measure has been carried out during the second devaluation of manat which occurred since the end of 2015, to stabilize the consumer market.

Within the framework of reforming economy, the institute for assistance to president on economic reforms has been founded. Consequently, McKinsey company has been involved to work out large-scale reform program.

The main task of "the road map" developed in cooperation with influential international agencies is to diversify the economy. The document covers the period up to 2020, 2020-2025 and the period after 2025. The government aims to maintain the stability of the financial system and to reduce dependence on transfers from the State Oil Fund. Moreover, the implementation of large-scale privatization of state-owned assets is expected. One of the priorities of the economy is the development of the agricultural sector. Agricultural insurance funds, including special agro-incubators in each economic region are planned to be created.

The other direction covers the support of heavy industry and machine-building. In this regard, it is aimed to reduce the import of spare parts for agricultural machinery, drilling equipment and ferrous metallurgy products. Major investment will be used for metallurgical complex in Sumgait. In 2019, 5 plants total value of which is 1,225 billion euros, are planned to be built in this complex. Tourism is able to be one of the third reasons of growth of Azerbaijan economy. For this purpose the development of tourism infrastructure is expected. In accordance with "the road map" a more integrated tourism sector has been demonstrated. The map included long-term plans over sustainable development of many regions such as Gabala, Shabran, Masalli, Lankaran. In 2020, the ratio of using tourism recovery facilities will increase to 65 percent (according to

the reports in 2015 this figure accounted for 40%) and consequently meet the European standards.¹³

Nowadays, several strategic programs on the development of individual sectors of the economy, and the regions are being carried out in Armenia. The main problem lies in the fact that the vast majority of them have been developed with the participation of western donors, their implementation provides a small foreign funding and they are characterized as truncated. In this country, lack of transparent global development program having a clear purpose and funding source draws attention.

In the approved strategic program of Armenia's development for 2012-2015, it is planned to reach 13.6% of the poverty level by 2025 (poverty level in 2012 amounted to 33.1%). Along with the lack of sufficient number of target values, the document does not contain specific measures for its step-by-step implementation, and refer to existing sectoral programs. Furthermore, the implementation of the program is inhibited by the unequal competitive conditions, inefficient distribution of budgetary funds, corruption risks, unfair competition in domestic and foreign markets, high unemployment rates among youth, inequality in territorial development and other factors.

The strategic development program of energy system up to 2036, developed jointly with the US Agency for International Development (USAID) in 2015 should be stipulated. The document envisages the development capacities of various elements, including renewable energy resources, regional integration, and energy security infrastructure.

In addition, with the participation of Oxfam British Foundation, the Ministry of Agriculture of Armenia has developed a strategic project for the sustainable development of agriculture and rural areas of Armenia in 2015-2025, and the main stages of its implementation and funding sources are unknown.

Within the circumstances of sharp devaluation of the national currency, high public debt and high trade deficit, the Georgian government has developed an anti-crisis program to be implemented by 2017. In the

¹³ ***, *The Strategic Road Map on the National Economy Perspective of the Republic of Azerbaijan*, approved by the Decree of the President of the Republic of Azerbaijan dated December 6, 2016.

framework of measures taken to stabilize and recover the economy, it is planned to strengthen the role of the national currency - lari in the economic life of the country, including the banking sector. The Georgian government hoped to get \$ 5 billion from external lenders - IMF and WB to implement the program. However, neither the IMF nor the WB have so far favored this program, and they doubt its effectiveness, and Georgia's ability to return the allocated funds in an agreed time period.¹⁴

In accordance with the survey, Azerbaijan has proven itself as a leading country in the South Caucasus region on all parameters taking into consideration the large resource potential, good transport and transit capacities, rather flexible market, economic policy based on the flow of foreign investors, the complex measures for economic reform, its diversification and enhancement of attractiveness for investors, favorable conditions for entrepreneurial activity.¹⁵

Various issues such as deep structural problems in the economy of Armenia and Georgia, the weakness of resource supply, low productivity, the risk of social reactions and others create serious obstacles to the development of their economic and regional relations.

3. Main results

Hence, Azerbaijan, successfully benefitting from its natural resources, geographical location and domestic and foreign investments, has become an active participant of the world economy. Today, investment in our country, which is called a place of stability, takes center stage in such a condition that financial resources are limited worldwide and entrepreneurs are extremely cautious about investment. Azerbaijan has become a country that plays a major role in investment and, in particular, strategically important projects.

At the modern stage, security and macroeconomic stability in Azerbaijan have created favorable business and investment environment in the face of complex socio-economic challenges facing the world. Azerbaijan which is the cornerstone for the provision of peace and security in the South Caucasus, and the most reliable partner of the international

¹⁴ Available at *Expert Center for Eurasian Development* <http://www.e-ced.ru/insights/>

¹⁵ Vaqif Bayramov, "Sabitlik, davamlı inkişaf və sosial rifah", in *Xalqgazeti*, 26.12.2017. <http://www.xalqgazeti.com/az/news/economy>

community, implements projects requiring major economic, financial and other resources at the expense of its domestic resources. Our country, which determines the development tendency of events in the region, is also characterized as a state with a stable economy worldwide.

Attracting investment plays crucial role in ensuring long-term and sustainable development of Azerbaijan. In order to attract investment into the national economy, the government's "open door" policy is being carried out and shaped by a favorable business environment. Further improvement of investment climate in the country is considered as one of the main tasks in order to ensure the required volume and quality of investments.

As a result of the domestic investment projects for the development of industry and agriculture in our country, the factories, industrial parks and industrial estates, technoparks and aquarium parks as well as other production facilities are functioning. At the same time, investment activities for the construction of large industrial enterprises are also among the priorities.

Today, the number and geography of companies investing in our country are expanding. At present, the negative tendencies in the globalized world have almost diminished investment throughout all countries. However, good investment opportunities and favorable business environment in our country attract foreign investors along with local entrepreneurs. As a result, along with the number of companies investing in Azerbaijan, their geography is also expanding. So, in 2015, about \$ 19 billion was invested in the country's economy on all financial sources, which makes up \$ 10 billion for foreign investment while \$ 9 bln. for domestic one. This once again proves that Azerbaijan is a very attractive country for foreign investors.

It should be also noted that more than 60 agreements on the promotion and mutual protection of investments between the Government of Azerbaijan and foreign countries have been signed up to now. Involvement of foreign investments into the national economy is an important component of the economic development strategy set by Azerbaijan. More than \$ 200 billion have been invested in Azerbaijan over the past 15 years.¹⁶

¹⁶ Vaqif Bayramov, *loc. cit.*

39 percent of foreign trade turnover in Azerbaijan belongs to EU countries.¹⁷ Azerbaijan which was once in need of foreign investment, is investing in numerous countries now. Our country is strengthening its position as an active participant in investment markets in Turkey, Georgia, Romania, Moldova, Ukraine, Belarus, Slovakia and other countries today. Our country contributes to the development of the economy by attracting considerable funds to oil and gas, petrochemical, fuel and energy, industry, processing and infrastructure sectors of these countries.

Today, South Caucasus includes Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum, Baku-Tbilisi-Kars, East-West, North-South transport corridors, four projects - Shahdeniz, South Caucasus Pipeline, TANAP and TAP. Azerbaijan has the largest investment projects such as Southern Gas Corridor. Our republic has become a geographical center of investments in the region. Each foreign investment means the future of Azerbaijan, the reliable financial guarantee of tomorrow. Investments in foreign countries are of great importance to Azerbaijan, and investments of billion dollars mean the strongest financial resources of our country. The parallel economy of domestic and foreign capital is the key factor for our growth. All this proves that Azerbaijan has become even more powerful in the economic field and demonstrates its high level of efficiency in its model. It is no coincidence that the Davos World Economic Forum has ranked 37th place for the competitiveness of national economy.¹⁸ This is the first indicator not only in the South Caucasus, but even in the CIS.

As a whole, rapid development of Azerbaijan has identified many important parameters of the country's economic model. In other words, the stability of the Azerbaijani economy, its competitiveness, the growth of infrastructure and investment attractiveness, and the favorable business climate have become priority and efficiency factors of strategic economic development.

¹⁷ Foreign Trade of Azerbaijan, *Statistical Bulletin*, Baku: ARSSC, 2017, p. 230.

¹⁸ World Economic Forum, *Global Competitiveness Report, 2015-2017*, <http://reports.weforum.org/global-competitiveness-index-2015-2017>.

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